STRIPESTAR LIMITED

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2012

Registered Number 3786959

STRIPESTAR LIMITED

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STRIPESTAR LIMITED

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2012

The directors have pleasure in submitting their report and the audited financial statements of the Company for the year ended 31 December 2012

RESULTS AND DIVIDENDS

The results for the year are shown in the profit and loss account on page 4 The directors do not recommend the payment of a dividend (2011 £nil)

BUSINESS REVIEW

The Company is a wholly-owned subsidiary of Pendragon PLC and operates as part of the Evans Halshaw division

The Company's principal activity is that of motor retailers and parts distributors in the UK There have not been any significant changes in the Company's principal activities in the year under review

As shown in the Company's profit and loss account on page 4, turnover decreased by 6 2% from £838,368,000 in the prior year to £786,420,000 in the current year and the result for the financial year improved from a £1,198,000 profit in the prior year to a profit of £1,753,000 in the current year Although turnover decreased a higher gross profit was achieved which combined with significant cost reductions has resulted in increased profitability with profit before tax increasing from £1 535 000 in 2011 to £3,056,000

Pendragon PLC manages its operations on a divisional basis For this reason the Company's directors believe that further key performance indicators for the Company are not necessary or appropriate for an understanding of the development, performance or position of the business The performance of Evans Halshaw division which includes the Company, is discussed in the 2012 financial statements of Pendragon PLC

The balance sheet on page 5 of the financial statements shows that the net liabilities of the Company have decreased by £1 837 000 to £8,036,000 net liabilities This was due the profit of £1,753,000 for the year and the share based payments credit of £84 000

One of the main risks facing the business is the year on year decline in new car registrations in the United Kingdom This risk is partly mitigated by the sale of used cars and aftersales services Other risks to the business include fluctuations in general economic conditions such as interest rate increases, environmental concerns and legislation and the loss of key personnel These risks are significant to the group and are also detailed in the group financial statements

The Company is a member of a funded group wide pension scheme, the Pendragon Group Pension Scheme providing benefits based on final pensionable pay The Company is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis and as permitted by FRS 17 'Retirement Benefits', the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme At 31 December 2012 the scheme had a deficit on an FRS 17 basis of £29 800 000 (2011 The Company was a member of six funded group wide pension schemes (Pendragon Pension Plan CD Bramall Pension Plan, CD Bramall Dealership Limited Pension Scheme, CD Bramall Retirement Benefit Scheme Quicks Pension Scheme and Reg Vardy Retirement Scheme) which had deficits at 31 December 2011 of £3 235 000)

Details of the number of employees and related costs can be found in note 4 to the financial statements

Stripestar Limited recognises the importance of its environmental responsibilities, monitors its impact on the environment, and designs and implements policies to mitigate any adverse impact that might be caused by its activities The Company operates in accordance with Pendragon PLC policies, as noted in Pendragon PLC's annual report, which does not form part of this report Initiatives aimed at minimising the Company's impact on the environment include safe disposal of manufacturing waste, recycling and reducing energy consumption

The directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts

The directors are satisfied that the Company is well positioned to take advantage of future opportunities

DIRECTORS

The directors who held office during the year were as follows

T G Finn
T P Holden
M S Casha
H C Sykes
Pendragon Management Services Limited

EMPLOYMENT OF DISABLED PERSONS

The Company recognises its responsibilities in employing and training disabled persons If any employee becomes disabled it is standard practice, in all but the most extreme circumstances, to offer an alternative job and provide retraining where necessary

EMPLOYEE INVOLVEMENT

Regular contact and exchanges of information are maintained to keep employees informed of the progress of the business

The Company participates in policies and practices to keep employees informed on matters relevant to them as employees through appropriate means, such as employee meetings and newsletters

PAYMENTS TO SUPPLIERS

The Company's policy, in relation to all of its suppliers, is to settle the terms of payment when agreeing the terms of the transaction and to ensure the suppliers are aware of those terms and abide by those terms (provided that it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions) The Company does not follow any code or standard on payment practice

The number of days' purchases outstanding for payment by the Company at 31 December 2012 was 27 days (2011 37 days)

DISCLOSURE OF INFORMATION TO AUDITOR

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information

RE-APPOINTMENT OF AUDITOR

KPMG Audit Plc has indicated its willingness to continue as independent auditor and in accordance with section 489 of the Companies Act 2006, a resolution concerning its reappointment will be proposed at the Annual General Meeting

On behalf of the Board

R J Maloney
Secretary

Loxley House
Little Oak Drive
Annesley
Nottinghamshire
NG15 0DR
19 April 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- state whether applicable UK accounting standards have been followed subject to any material departures disclosed and explained in the financial statements and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF STRIPESTAR LIMITED

We have audited the financial statements of Stripestar Limited for the year ended 31 December 2012 set out on pages 4 to 13 The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Michael Steventon (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

19 April 2013

STRIPESTAR LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2012

Note		2012 £000	2011 £000
2	TURNOVER	786,420	838,368
	Cost of sales	(696,885)	(752,035)
	GROSS PROFIT	89,535	86 333
	Distribution costs	(47,463)	(48,067)
	Administrative expenses	(35,030)	(32 423)
3	OPERATING PROFIT	7,042	5 843
5	Interest payable	(3,986)	(4 308)
	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	3,056	1,535
6	Taxation on profit on ordinary activities	(1,303)	(337)
15	PROFIT FOR THE FINANCIAL YEAR	1,753	1 198

There are no material differences between the profits as shown in the profit and loss account above and their historical cost equivalents All amounts relate to continuing operations
Movements in reserves are shown in note 15
The notes on pages 7 to 13 form part of these financial statements

STRIPESTAR LIMITED

BALANCE SHEET

AT 31 DECEMBER 2012

Note		2012 £000	2011 £000
	FIXED ASSETS		
7	Goodwill	2,091	2,594
8	Tangible assets	15,797	15 321
		17,888	17,915
	CURRENT ASSETS		
9	Stocks	86,446	84 703
10	Debtors	20,374	24 355
		106,820	109 058
11	**CREDITORS** amounts falling due within one year	(132,644)	(136,746)
	NET CURRENT LIABILITIES	(25,824)	(27,688)
	TOTAL ASSETS LESS CURRENT LIABILITIES	(7,936)	(9,773)
12	**CREDITORS** amounts falling due in more than one year	(100)	(100)
	NET LIABILITIES	(8,036)	(9,873)
	CAPITAL AND RESERVES		
14	Called up share capital	100	100
15	Share premium account	24,900	24,900
15	Profit and loss account	(33,036)	(34,873)
	SHAREHOLDERS' DEFICIT	(8,036)	(9 873)

Approved by the Board of Directors on 19 April 2013 and signed on its behalf by

T P Holden
Director

Registered Company Number 3786959

The notes on pages 7 to 13 form part of these financial statements

RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

YEAR ENDED 31 DECEMBER 2012

	2012 £000	2011 £000
Profit for the financial year	1,753	1,198
Share based payments	84	81
Net decrease in shareholders' deficit	1,837	1,279
Opening shareholders' deficit	(9,873)	(11 152)
Closing shareholders' deficit	(8,036)	(9,873)

The notes on pages 7 to 13 form part of these financial statements

1 ACCOUNTING POLICIES

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

(a) Basis of preparation The financial statements have been prepared in accordance with applicable accounting standards using the historical cost convention The financial statements have been prepared on a going concern basis

The Company's business activities, together with the factors likely to affect its future development and position are set out in the Business Review section of the Directors' Report on page 1

The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future The Company participates in the Pendragon group's centralised treasury arrangements and so shares banking arrangements with its parent and fellow subsidiaries

The company's parent company has confirmed that it will continue to provide financial support to the company if needed The directors consider that this should enable the company to continue in operational existence for the foreseeable future by meeting its liabilities as they fall due for payment However, as with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue

The directors are of the opinion that the Company has adequate resources to continue in operational existence for the foreseeable future Accordingly they continue to adopt the going concern basis in preparing the annual report and accounts

Stripestar Limited is a wholly owned subsidiary of Pendragon PLC The Company's results are included in the consolidated financial statements of Pendragon PLC, which are publicly available, the Company has relied upon the exemption in FRS 1 (revised) and has not included a cash flow statement as part of these financial statements

As the Company is a wholly owned subsidiary of Pendragon PLC the company has taken advantage of the exemption contained in FRS8 and has therefore not disclosed transactions or balances with wholly owned subsidiaries which form part of the Group

(b) Turnover Turnover from the sale of goods is recognised in the profit and loss account net of discounts, when the significant risks and rewards of ownership have been transferred to the buyer In general this occurs when vehicles or parts have been supplied or when service has been completed Turnover from services rendered is recognised in the profit and loss account in proportion to the stage of completion of the transaction at the reporting date The stage of completion is assessed by surveys of work performed or by reference to time expended on services that are charged on labour rate basis

Incentives received from manufacturers in respect of target achievements are accounted for as a deduction from the cost of the vehicles or parts to which they relate

(c) Tangible fixed assets and depreciation Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic life as follows

Leasehold properties - 2% per annum or over the period of the lease if less than 50 years
Plant and equipment - 10 to 33% per annum
Motor vehicles - 20 to 25% per annum

(d) Stocks
(i) Motor vehicles and parts stocks are stated at the lower of cost and net realisable value
(ii) Consignment vehicles are new unregistered vehicles owned by the manufacturers mainly located at the Company's premises, and insured by the Company New consignment vehicles in respect of which finance charges are levied are regarded as being effectively under the control of the Company and, in accordance with FRS 5 are included within stocks on the balance sheet even though legal title has not yet passed to the Company
The corresponding liability is included in creditors

Net realisable value is based on estimated selling price less further costs expected to be incurred to disposal
Provision is made for obsolete, slow moving or defective items where appropriate

(e) Taxation Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted by the balance sheet date

Deferred taxation Full provision is made for deferred taxation on all timing differences which have arisen but have not reversed at the balance sheet date, except as follows
(i) deferred tax is not recognised on the difference between book values and fair values of non-monetary assets arising on acquisitions unless there is a binding agreement to sell such an asset and the gain or loss expected to arise has been recognised and
(ii) deferred tax assets are recognised only to the extent that it is more likely than not that they will be recovered

Deferred tax is measured on a non discounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet date

(f) Post-retirement benefits The Company participates in a group wide defined contribution pension scheme The assets of the scheme are held separately from those of the Company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

The Company participates in a group wide pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the Company The Company is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits' accounts for the scheme as if it were a defined contribution scheme As a result the amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

(g) Share based payments The Group operates a number of employee share option schemes The fair value at the date at which the share options are granted is recognised in the profit and loss account on a straight line basis over the vesting period, taking into account the number of options that are expected to vest The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted The number of options that are expected to become exercisable is reviewed at each balance sheet date and if necessary estimates are revised

(h) Leases Rentals under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

1 ACCOUNTING POLICIES continued

(i) Related parties The Company has a related party relationship with Reg Vardy (VMC) Limited, which is a joint venture undertaking between Pendragon PLC and General Motors UK Limited

During the year the following amounts were received from related parties in respect of vehicle sales	2012 £000	2011 £000
Reg Vardy (VMC) Limited	882	-

During the year, the following amounts were paid to related parties in respect of vehicle purchases	2012 £000	2011 £000
Reg Vardy (VMC) Limited	656	-

At the year end, £1 400 was due from Reg Vardy (VMC) Limited (2011 £nil)

(j) Goodwill Goodwill represents the excess of the fair value of consideration given over the fair value of the identifiable net assets acquired Goodwill arising on acquisitions is capitalised and amortised to nil by equal instalments over its estimated useful life which is twenty years

(k) Classification of financial instruments issued by the Company Following the adoption of FRS 25, financial instruments issued by the Company are treated as equity (i e forming part of shareholders' funds) only to the extent that they meet the following two conditions

i) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and

ii) where the instrument will or may be settled in the Company's own equity instruments it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares

Finance payments associated with financial liabilities are dealt with as part of interest payable and similar charges Finance payments associated with financial instruments that are classified as part of shareholders' funds, are dealt with as appropriations in the Reconciliation of Movements in Shareholders' Funds

2 TURNOVER

All turnover arises in the United Kingdom from the Company's principal activities

3 OPERATING PROFIT

Operating profit has been arrived at after charging

	2012 £000	2011 £000
Depreciation of tangible fixed assets - owned	3,632	4,093
Amortisation of goodwill	503	503
Audit fee / Auditors remuneration	19	20
Operating lease charges - Plant & Equipment	298	286
Operating lease charges - Land & Buildings	7,986	7,454

Amounts receivable by the Company's auditor in respect of services to the Company and its associates other than the audit of the Company's financial statements have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, Pendragon PLC

4 EMPLOYEES

The average number employed by the Company in the following areas was

	2012 Number	2011 Number
Sales	462	485
After sales	835	877
Administration	548	575
	1,845	1,937

4 EMPLOYEES (cont)

Costs incurred in respect of these employees were

	2012 £000	2011 £000
Wages and salaries	43,450	42 604
Social security costs	4,059	4 012
Other pension costs	625	598
	48,134	47 214

No director of the Company received or waived any remuneration for services to the Company during the year (2011 £nil)

The directors are employed by Pendragon PLC and full details of their remuneration can be found in the Directors Remuneration Report section of that Company's annual report Due to the large number of subsidiary undertakings of the Pendragon group it is impracticable to make any meaningful apportionments of the directors' remuneration for the Company

5 INTEREST PAYABLE

	2012 £000	2011 £000
Bank interest payable	363	430
Stocking loan interest	1,608	2 519
Intra group loan interest	2,015	1,359
	3,986	4 308

6 TAXATION

	2012 £000	2011 £000
UK corporation tax at the UK average statutory rate of 24 5% (2011 26 5%)		
Current tax on income for the year	(68)	1,428
Adjustments in respect of prior periods	(1,395)	76
Total current tax	(1,463)	1 504
Deferred taxation		
Capital allowances for period in excess of depreciation	991	(2 397)
Losses	-	1 526
Effect of decrease in tax rate	457	642
Adjustments in respect of prior periods	1,318	(938)
Total deferred tax	2,766	(1,167)
Tax on profit on ordinary activities	1,303	337

Factors affecting the tax (credit) / charge for the period
The current tax (credit) / charge for the year is higher (2011 higher) than the standard rate of corporation tax in the UK ((24 5%) (2011 26 5%)) The differences are explained below

	2012 £000	2011 £000
Profit on ordinary activities before tax	3,056	1,535
Tax on profit at the UK average statutory rate of 24 5% (2011 26 5%)	749	407
Effects of		
Capital allowances for period in excess of depreciation	(991)	2 397
Goodwill amortisation for which no tax relief is due	123	133
Losses	-	(1 526)
Other disallowables	31	33
Effect of decrease in tax rate	20	(16)
Adjustments to tax charge in respect of previous periods	(1,395)	76
Total current tax (credit) / charge	(1,463)	1 504

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly The deferred tax asset at 31 December 2012 has been calculated based on the rate of 23% substantively enacted at the balance sheet date

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge and reduce the company's deferred tax asset accordingly

7 GOODWILL

	Goodwill £000
Cost	
At 31 December 2011 and 31 December 2012	10,065
Amortisation	
At 31 December 2011	7,471
Charge for the year	503
At 31 December 2012	7,974
Net book value	
At 31 December 2012	2,091
At 31 December 2011	2 594

Goodwill on dealerships acquired is amortised over a period of twenty years

8 FIXED ASSETS - TANGIBLE ASSETS

	Short Leasehold Property £000	Plant & Equipment £000	Motor Vehicles £000	Total £000
Cost				
At 31 December 2011	426	13,378	13,986	27,790
Additions	76	1 552	29,479	31,107
Disposals	-	(602)	(29,834)	(30,436)
At 31 December 2012	502	14 328	13,631	28,461
Depreciation				
At 31 December 2011	262	9 864	2,343	12,469
Disposals	(52)	(366)	(3,019)	(3,437)
Charge for the year	16	1,246	2,370	3,632
At 31 December 2012	226	10,744	1,694	12,664
Net book value				
At 31 December 2012	276	3,584	11,937	15,797
At 31 December 2011	164	3 514	11,643	15 321

9 STOCKS

	2012 £000	2011 £000
New and used vehicles	82,454	78,461
Consignment vehicles	333	247
Vehicle parts and other stocks	3,659	5,995
	86,446	84 703

During the year £523 000 was recognised as a credit in respect of the write down of stocks (2011 £285,000 credit)

Consignment vehicles exclude new vehicle stocks held by the manufacturers to the order of the Company which are not capable of bearing a finance charge, amounting to £94 959,000 (2011 £56 977 000)

Consignment stock is held by the Company though legal title remains with the supplier The balance of the consignment stock is subject to interest at commercial rates with an initial interest free period, typically 30 days, being granted In most cases, if the stock remains unsold after a set period, typically 180 days then the stock is invoiced to the Company These terms can be varied at any time and certain stock lines may be subject to different terms to others No deposits are paid in respect of consignment stock

10 DEBTORS

	2012 £000	2011 £000
Trade debtors	6,714	6 711
Deferred tax (see note 13)	5,255	8 021
Prepayments	1,094	1 246
Other debtors	7,311	8,377
	20,374	24,355

All amounts are due within one year with the exception of deferred taxation

11 CREDITORS amounts falling due within one year

	2012 £000	2011 £000
Bank overdraft	7,564	3 109
Consignment vehicle liabilities	333	247
Payments received on account	1,099	1,363
Trade creditors	54,686	73 785
Amounts owed to group undertakings	50,739	41,910
Other taxation and social security	7,137	5 952
Accruals and deferred income	11,086	10,380
	132,644	136 746

12 CREDITORS amounts falling due in more than one year

	2012 £000	2011 £000
Shares classified as liabilities (see note 14)	100	100

13 DEFERRED TAX

The movement in the deferred tax balance for the year was as follows

	Deferred Tax £000
At 31 December 2011	8,021
Profit and loss account	(2,766)
At 31 December 2012	5,255

The amounts of deferred tax asset in the financial statements are as follows

	2012 £000	2011 £000
Fixed asset timing differences	4,991	7 474
Other timing differences	264	547
Total deferred tax asset	5,255	8 021

The deferred tax asset in relation to fixed asset and other timing differences is shown within debtors (see note 10)

The directors believe that the deferred tax asset recognised is recoverable as they expect taxable profits to arise in the foreseeable future

14 CALLED UP SHARE CAPITAL

	2012 £000	2011 £000
Allotted, called up and fully paid		
100,000 (2011 100,000) Ordinary shares of £1 00 each	100	100
100,000 (2011 100,000) Preference shares of £1 00 each	100	100
	200	200
Shares classified as liabilities (see note 12)	100	100
Shares classified in shareholders' funds	100	100
	200	200

15 RESERVES

	Share Premium Account £000	Profit and Loss Account £000
At 31 December 2011	24,900	(34,873)
Profit for the financial year	-	1,753
Share based payments	-	84
At 31 December 2012	24,900	(33,036)

16 OPERATING LEASE COMMITMENTS

Annual lease payments due in 2013 under operating leases of the Company, according to the period in which the lease expires are as follows

	Land and Buildings		Other	
	2012	2011	2012	2011
	£000	£000	£000	£000
Under 1 year	32	-	111	271
Between 1 and 5 years	10	-	23	24
Over 5 years	6,834	7,485	-	-
	6,876	7,485	134	295

17 SHARE BASED PAYMENTS

The number and weighted average exercise prices of share options is as follows	Weighted average exercise price 2012	Number of options '000 2012	Weighted average exercise price 2011	Number of options '000 2011
Outstanding at beginning of period	18 14p	3,992	18 35p	4,271
Exercised during the period	-	-	13 37p	(48)
Lapsed during the period	21 08p	(365)	11 68p	(1 218)
Granted during the period	13 50p	1,290	8 82p	987
Outstanding at the end of the period	16 69p	4 917	18 14p	3,992
Exercisable at the end of the period	24 11p	1,782	34 02p	798

The options outstanding at 31 December 2012 have an exercise price in the range of 8 82 pence to 93 25 pence and a weighted contractual life of 5 7 years All share options are settled in equity

Movements in the number of options to acquire ordinary shares under the parent Company's share option schemes together with exercise prices and the outstanding position at 31 December 2012 were as follows

Exercise period	Date of grant	Scheme Description	Exercise price per share	At 31 December 2011 Number	Granted Number	Lapsed Number	At 31 December 2012 Number
24 March 2006 to 23 March 2013	24 March 2003	1999 Executive Scheme	16 74p	50 782		(1 498)	49 284
24 March 2008 to 23 March 2013	24 March 2003	1999 Executive Scheme	16 74p	240 898			240 898
30 September 2006 to 29 September 2013	30 September 2003	1999 Executive Scheme	28 70p	58 500		(4 097)	54 403
20 September 2009 to 19 September 2014	20 September 2004	1999 Executive Scheme	42 98p	423 293			423 293
1 July 2012 to 31 December 2012	1 July 2005	1998 Sharesave Scheme	43 13p	10 190			10 190
1 July 2011 to 31 December 2011	1 July 2006	1998 Sharesave Scheme	93 25p	24 874		(24 874)	
1 July 2013 to 31 December 2013	1 July 2006	1998 Sharesave Scheme	93 25p	5 272	-	-	5 272
1 August 2012 to 31 January 2013	13 July 2009	1998 Sharesave Scheme	17 61p	1 188 414		(185 101)	1 003 313
20 September 2013 to 19 September 2020	20 September 2010	1999 Executive Scheme	14 22p	1 003 263		(49 917)	953 346
7 October 2014 to 6 October 2021	6 October 2011	2009 Executive Scheme	8 82p	986 908	-	(50 217)	936 691
31 March 2015 to 30 March 2022	30 March 2012	2009 Executive Scheme	13 50p		1 290 060	(49 510)	1 240 550
				3 992 394	1 290 060	(365 214)	4 917 240

On 30 March 2012 options over 1 290 060 ordinary shares of 5p were granted pursuant to the 2009 Executive Option Scheme at an exercise price of 13 50p per share

The grants of share options under the 1999 Scheme prescribed an earnings per share performance criterion It is a pre-condition to the exercise of grants made under the 1999 Scheme that the growth in the Company's earnings per share over the prescribed three year period must exceed by at least 3 percent per annum compound the annual rate of inflation as shown by the RPI Index

The vesting conditions attaching to the 1998 Pendragon Sharesave schemes are that the option holder must be employed by the group on the date of exercise

All options are settled by physical delivery of shares

The fair value of the services received in return for share options is measured by reference to the fair value of the options granted The estimate of the fair value of the services received in respect of share option and share save schemes is measured using the Black-Scholes option pricing model

The weighted average fair value of the options at the date of grant for those that are outstanding at 31 December 2012 is 6 5p (2011 7 6p (as adjusted to reflect the bonus element of the rights issue))

17 SHARE BASED PAYMENTS (CONTINUED)

The average assumptions input into the models for options granted in the year were as follows

	2009 Executive Scheme	
	2012	2011
Number of share options granted in year	1,290,060	986,908
Weighted average share price (pence)	13 50	8 82
Weighted average exercise price (pence)	13 50	8 82
Weighted average fair value (pence)	3 86	4 15
Expected volatility (%)	50 2%	52 3%
Expected life (years)	3 0	3 0
Risk free rate (%)	0 66%	0 86%
Expected dividend yield (%)	3 0%	3 0%

As adjusted to reflect the bonus element of the Rights Issue

Expected volatility was determined by calculating the historical volatility of the parent Company's share price over the corresponding historical period The expected life used in the model has been adjusted, based on management's best estimate, for the effects of exercise restrictions and team member turnover

The Company recognised a total expense of £84,000 (2011 £81 000) relating to equity-settled share based payment transactions

18 CONTINGENT LIABILITIES

The Company is party to multi-lateral cross guarantees in respect of the indebtedness of Pendragon PLC and its UK subsidiaries in favour of certain lenders to the Group

Pendragon PLC has granted security over some of the Company's assets, not subject to any other arrangements, mainly comprising property, debtors and certain vehicle stocks Pendragon PLC has also granted security over assets in some of its other subsidiaries and if security over the total of all those assets had been granted at 31 December 2012, the Group balance sheet value of those assets would have been £271m (2011 £286m)

19 PENSIONS

The defined contribution pension scheme was closed at the end of April 2006 and replaced by an alternative defined contribution scheme (group stakeholder arrangement) There were no outstanding or prepaid contributions at either the beginning or end of the financial year

The Company Is a member of a funded group wide pension scheme, the Pendragon Group Pension Scheme providing benefits based on final pensionable pay The Company Is unable to identify its share of the scheme assets and liabilities on a consistent and reasonable basis and as permitted by FRS 17 'Retirement Benefits , the scheme has been accounted for in these financial statements as if the scheme was a defined contribution scheme At 31 December 2012 the scheme had a deficit on an FRS 17 basis of £29 800,000 (2011 The Company was a member of six funded group wide pension schemes (Pendragon Pension Plan, CD Bramall Pension Plan, CD Bramall Dealership Limited Pension Scheme CD Bramall Retirement Benefit Scheme Quicks Pension Scheme and Reg Vardy Retirement Scheme) which had deficits at 31 December 2011 of £3 235 000)

The Pendragon Group Pension Scheme is a funded defined benefit scheme that was set up during the year to receive the assets and liabilities of the Pendragon Group's existing six defined benefit schemes The first actuarial valuation will be carried out in 2013 as at 31 December 2012

The pension charge cost in respect of the group stakeholder arrangement for the year was £625,000 (2011 £598 000)

20 EVENTS AFTER THE BALANCE SHEET DATE

On 10 April 2013 the Company issued a further 8,500,000 £1 ordinary shares to Pendragon Motor Holdings Limited for a consideration of £8 500 000 The consideration was settled by way of an intercompany loan

21 ULTIMATE PARENT COMPANY AND PARENT UNDERTAKING OF LARGER GROUP OF WHICH COMPANY IS A MEMBER

The Company's ultimate parent company and ultimate controlling party is Pendragon PLC which is incorporated in England and Wales The largest and smallest group in which the results of the Company are consolidated is that headed by Pendragon PLC Financial statements of Pendragon PLC for the year ended 31 December 2012 are available from the Company Secretary, Pendragon PLC Loxley House Little Oak Drive, Annesley Nottinghamshire, NG15 0DR